# Shared Services Canada

# 2012–13

# Departmental Performance Report

The Honourable Diane Finley, P.C., M.P.
Minister of Public Works and Government Services
and Minister responsible for Shared Services Canada

# Table of Contents


Minister's Message ..... 1

Section I: Organizational Overview ..... 2

Raison d'être ..... 2

Responsibilities ..... 2

Strategic Outcome and Program Alignment Architecture ..... 3

Organizational Priorities ..... 4

Risk Analysis ..... 8

Summary of Performance ..... 9

Expenditure Profile ..... 13

Estimates by Vote ..... 14

Section II: Analysis of Program by Strategic Outcome ..... 15

Strategic Outcome ..... 15

Performance Analysis and Lessons Learned ..... 19

Section III: Supplementary Information ..... 21

Financial Statements Highlights ..... 21

Supplementary Information Tables ..... 25

Tax Expenditures and Evaluations Report ..... 25

Section IV: Other Items of Interest ..... 26

Special Report on Transformational Activities ..... 26

Endnotes ..... 29

# Minister's Message

I am pleased to present Shared Services Canada's (SSC) Departmental Performance Report for 2012-13. SSC was created in August 2011 to transform how the Government of Canada manages its information technology (IT) infrastructure, in order to better support the delivery of programs and services to Canadians, achieve cost savings and improve IT security.

SSC has made good progress during its first fiscal year of operations. Maintaining 24/7 service delivery to 43 federal departments and agencies while moving ahead on enterprise transformation plans for email, data centres and networks has been critical. After the completion of a collaborative procurement process, we are poised to replace 63 different email systems across government with a single, secure, government-wide solution. But, there is much more work to do. We have also developed an initial plan to consolidate data centres and networks, and to increase the protection of government systems and data by improving IT cyber security enterprise-wide.

SSC achieved savings of nearly $75 million in 2012-13 by leveraging contract consolidation, better pricing and streamlined internal services. These savings are in keeping with our long-term transformation agenda and were achieved without jeopardizing operational stability for our 43 federal partners.

I am pleased that the Department launched the IT Infrastructure Roundtable, an important forum that acknowledges the important role that the information and communications technology sector can play in the transformation of the Government of Canada's IT infrastructure. Engaging with the private sector is an important part of SSC's work and will continue to be in the future.

Looking forward, our engagement with partners in the private sector and across government will only increase. Collectively, we have a lot to deliver on over the next few years, and we will need to plan and manage our work together.

As Minister responsible for SSC, I am proud of our government's commitment to modernizing government operations to improve services, enhance security and provide value for taxpayers' dollars. While there is still much to do, SSC delivered early results in 2012-13 and is on track to deliver the benefits for which it was created.

The Honourable Diane Finley, P.C., M.P.
Minister of Public Works and Government Services
and Minister responsible for Shared Services Canada

# Section I: Organizational Overview

## Raison d'être

Shared Services Canada (SSC) is a federal department created by Order in Council on August 4, 2011, to transform how the Government of Canada manages its information technology (IT) infrastructure. SSC reports to Parliament through the Minister of Public Works and Government Services, and is responsible for delivering mandated email, data centre and network services to its 43 partner departments in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC also provides certain optional technology-related services to government organizations on a cost-recovery basis. With a whole-of-government approach to IT, SSC is creating economies of scale to deliver more efficient, reliable and secure IT infrastructure services to Government of Canada departments. SSC's mandate was reinforced on June 29, 2012, with the passage of the *Shared Services Canada Act* by Parliament.

## Responsibilities

Under the authority of the *Shared Services Canada Act* and specific direction provided by Orders in Council, SSC will consolidate and streamline the delivery of IT infrastructure services, specifically email, data centre and network services. As a result, federal organizations will have access to modern, reliable, secure and cost effective IT infrastructure services to support government priorities and program delivery. In addition, SSC will continue to work collaboratively with Government of Canada cyber security agencies to support the implementation of Canada's Cyber Security Strategy and help strengthen the security of federal information systems.

SSC is responsible for simultaneously operating and transforming the government's IT infrastructure for its partner organizations with a focus on service and quality, in order to deliver a more robust foundation for modern government operations. The transformation is expected to produce annual savings while modernizing IT infrastructure services, reducing the government's environmental footprint, and strengthening the security and safety of government data.

Traditionally, the government's infrastructure had been managed in silos, with each department establishing the services that it required to conduct its business. Duplication, unnecessary diversity and inefficiency resulted. A prime example is the Guy-Favreau Complex in Montreal where nine separate networks connect nine separate federal departments. The government supports over 63 different email systems without any pan-governmental standard; across the country, 485 data centres are in use, some operating well below capacity, while others struggle to meet demand.

SSC's ambitious plans for the provision of enterprise-wide IT services represent a seven-year journey that will yield better value for money and a more robust service backbone for modern government operations.

## Strategic Outcome and Program Alignment Architecture

SSC's Program Alignment Architecture (PAA), as approved by the Treasury Board of Canada, supports the achievement of the following strategic outcome: *Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.*

**Strategic Outcome:**

Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.

**Program:**

Efficient and effective IT infrastructure services are delivered across the Government of Canada.

Internal Services

**Description:**

Enterprise-wide consolidation in the areas of email, data centres and telecommunications improves the overall efficiency, reliability and security of IT infrastructure.

Under the Management Resources and Results Structure (MRRS) amendment process, Treasury Board of Canada Secretariat (TBS) was advised of SSC's intent to revise its PAA for the 2014-15 fiscal year. The proposed amendments will include changes to the wording of the Strategic Outcome and an expansion of the architecture to elaborate program outcomes in greater detail. Development of a performance measurement framework to support regular monitoring and reporting of program performance is being advanced in parallel with the development of the revised PAA.

## Organizational Priorities

| Priority #1 | Type | Strategic Outcome |
|---|---|---|
| Maintain and improve the delivery of IT infrastructure services to the Government of Canada through an enterprise approach. | New | Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians. |

**Summary of Progress**

Results met.

Through its Operations Branch, SSC is responsible for providing delivery of IT infrastructure services to partner organizations.

While consolidating and standardizing IT infrastructure across 43 partner departments and agencies, SSC supported the systems that Canadians depend on for services ranging from employment insurance and pension benefits to policing and border management. In fiscal year 2012-13, SSC focused on getting the most out of its IT infrastructure, paying particular attention to the continuous functioning of some 2,100 mission-critical systems across government. The importance of bringing a true enterprise perspective to managing the federal government's IT infrastructure to improve service, eliminate duplication and reduce costs cannot be underestimated.

An Operations Service Management Committee (OSMC) was established to guide the implementation of an incident management process to identify, address and monitor incidents that affect the performance of mission-critical systems. For example, a critical incident reporting process was introduced to deal with service outages, and a problem management process was developed to investigate whether critical events were part of a larger underlying problem. Results, reviewed weekly by the OSMC and monthly by the Senior Management Board, identified appropriate follow-up actions. All of these activities inform SSC on the state of the Government of Canada IT infrastructure, and on investments required to minimize business impacts to partners, program delivery and services to Canadians.

SSC created and defined generic core services for data centre operations, network operations and IT security. Key roles were identified and staffed to contribute to both operational stability and the advancement of the transformation agenda. In early 2013, SSC launched the Cyber and IT Security Transformation Program. This horizontal program is intended to work in partnership with key security agencies across the Government of Canada to ensure that security requirements for the 43 partner departments and agencies are assessed and defined appropriately. Priorities for the program include the development of a Government of Canada Secret Infrastructure, the transformation of IT security services (such as identity, credential and access management, network security, and device security) and the implementation of SSC's portion of the Canada Cyber Security Strategy.

The Department also contributed to cost savings by converting costly land-line telephones to cellular service and removing unused lines. As of year-end, 13,000 phones were converted and 11,000 unused lines removed resulting in savings of one million dollars annually. In addition, savings were achieved by rationalizing existing communication-related services from many small contracts to fewer large ones.

For example, the consolidation of Government cellular services contracted for more than 100 departments and agencies resulted in savings of more than $20 million annually across government.

SSC also identified opportunities for leveraging and modernizing videoconferencing services across government. A project with five partners was launched, with a roll out to all partner organizations planned for fiscal year 2013-14.

| Priority #2 | Type | Strategic Outcome |
|---|---|---|
| Launch the renewal of the Government of Canada's IT infrastructure.<br>• Identify an email solution; and<br>• Develop initial plans to consolidate data centres and networks in a whole-of-government approach. | New | Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians. |

**Summary of Progress**

Results met.

The strategy for the Email Transformation Initiative made progress towards the final stages of implementation. After hosting an industry engagement day in June 2012, attended by 166 industry representatives, the Department issued a Request for Information, followed by a Request for Response Evaluation. A final Request for Proposal was issued in early 2013, resulting in a contract being awarded in June 2013 with plans to roll out a new email solution throughout the Government of Canada over the next two years.

The development of the data centre and network transformation plan began in earnest during this first year. The plan was developed as a result of several distinct endeavours. First, a comprehensive analysis of the current state of human resources, real property and IT assets was performed. Then, 26 Chief Information Officer (CIO) engagement workshops and 22 data centre site visits were completed where requirements, issues, deficiencies and risks to the Government of Canada were identified. This was followed by a broad analysis of alternative service delivery models, and a definition of an end state model characterized by a reduced number of data centres that use standardized services housed and operated on standardized platforms. Finally, a transformation plan was developed to set out how the government programs and administrative systems could be migrated from their current state to the new end-state model. This plan was reviewed by an independent panel of industry leaders in the management, operation and transformation of large-scale IT infrastructure organizations.

Further information on SSC's renewal of the government's IT infrastructure can be found in Section IV: Special Report on Transformational Activities.

| Priority #3 | Type | Strategic Outcome |
|---|---|---|
| Establish governance mechanisms and implement partnerships to clarify accountability and adopt enterprise approaches for the management of IT infrastructure services. | New | Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians. |

Summary of Progress

Results met.

In its first full year of operations, SSC and its partner departments and agencies began to shape the new way in which the Government of Canada manages its IT infrastructure. SSC held extensive discussions with each partner to explain the change in authorities and explore the value-for-money proposition. SSC established the governance mechanisms and implemented the partnerships that will help support a successful enterprise-wide business approach.

As a reflection of its commitment to collaborative working relationships with partner departments and agencies, SSC established its governance structure. This structure was designed with a view to supporting efficiency, accountability and the achievement of results. It includes a number of external advisory bodies, including private sector representatives, that provide venues for developing working relationships with partner organizations in support of the achievement of common goals.

Through these advisory committees, SSC obtained advice to guide Government of Canada transformation strategies, and to deliver projects that directly support broader government-wide modernization. The advisory committees also enabled SSC to discuss the IT infrastructure operations of the government on a horizontal basis, and to expedite further standardization and rationalization of IT infrastructure services. Internally, SSC established the Senior Management Board as the decision-making body responsible for establishing strategic directions and priorities, approving corporate-wide plans, providing stewardship over financial and human resources, and making decisions on strategic issues that affect SSC as a whole, as well as communicating directions and priorities in the organization.

In order to engage the larger information and communications technology (ICT) sector, SSC launched an early engagement process with industry associations to seek their views on a variety of issues, including procurement and innovation. The results of that process led to the establishment of the IT Infrastructure Roundtable in November 2012, a forum that continues to bring together leading technology innovators, SSC staff and key government partners for dialogue on the long-term transformation agenda.

To facilitate the adoption of a more innovative and collaborative way of working, SSC developed business arrangements that describe the working relationship between SSC and individual partner departments. Where required, the business arrangements were supported by Operating Protocols and Memoranda of Understanding to identify unique program-specific business requirements, and document special working and service delivery arrangements.

SSC also developed and implemented a partner engagement strategy encompassing both bilateral and multilateral elements. Thirty-nine bilateral Deputy Minister-level meetings were conducted in 2012-13. Quarterly CIO forums and biweekly CIO Roundtables were hosted, wherein partners provided SSC with

direct feedback on how best to set the direction for enterprise-wide planning. SSC will continue to evolve its engagement with partners as transformation progresses.

SSC also established the Project Management Centre of Excellence (PMCoE). The management rigour established by the PMCoE came from automation, integration and standardization of IT project delivery and processes. Partner projects already under way at the time of SSC's creation were carefully and thoroughly triaged using the principles and criteria developed in collaboration with the PMCoE.

| Priority #4 | Type | Strategic Outcome |
|---|---|---|
| Implement efficient and effective business management processes and services in support of the SSC mandate. | New | Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians. |

Summary of Progress

Results met.

SSC was created as a common services delivery organization to operate and transform the Government of Canada's IT infrastructure. SSC's ability to fulfill that dual mandate on an ongoing basis is largely predicated on its success in standing up and managing an entirely new government department in a very short timeframe.

In 2012-13, SSC established a foundation for management excellence by establishing key functions and processes expected of any department in a wide range of areas, including: human resources and accommodations; change management; financial management and procurement; access to information and privacy; planning and reporting; risk management and performance measurement; security, IT and information management; communications; and audit and evaluation.

SSC's inaugural Report on Plans and Priorities and its first Integrated Business Plan identified goals and objectives, and noted that building management rigour and administrative capacity in internal services would be a critical area of focus in the Department's first fiscal year. The Department regularly reviewed progress against its plans, and began building a risk management and performance measurement culture to support the dual mandate of IT infrastructure operations and transformation. A corporate risk management framework was established, and performance measures were built into both operational and transformational planning and reporting.

On the human resources front, SSC transitioned thousands of employees from 43 partner organizations to the new department. Although many arrived in 2011-12, the work of setting up branches and teams as a consolidated organization was done mostly during 2012-13. This work included the issuance of over 3,000 employee ID and access cards, and responses to over 9,000 service desk calls to onboard employees to their new work environments. An approach to develop a unified SSC culture was launched, supporting an organizational change management approach, and an SSC Organizational Code to help guide decisions and actions toward a culture of excellence and integrity. Advanced enterprise resource planning systems and processes were put in place to facilitate a strong management regime. As part of its commitment to newly arriving employees, SSC developed and implemented its National

Capital Region accommodations plan.

An example of the work required to set up financial systems and processes in 2012-13, was the completion of the transfer of contracts from all partner organizations, and the implementation of automated solutions to help streamline payment processes. A procurement review board, established in January 2013, was put in place to review all major transactions and procurement policy decisions. Work was also done to establish a foundation for a financial management framework to set common standards across the Department. As seen in other departments, SSC developed an IT and information management approach that takes into consideration emerging plans for IT infrastructure transformation, as well as information management policy directions established by TBS.

Recognizing the partners' reliance on SSC to safeguard information on government networks and data centres, the Department initiated an SSC Privacy Breach Protocol and a Privacy Management Framework. It also launched a work plan fostering a culture of privacy and security awareness, and established a capacity to manage access to information and privacy requests.

In support of the realization of the Department's goals and the fulfillment of its mandate, SSC strengthened its communications support for employees in partner departments, and industry. Through mechanisms ranging from Internet and Extranet sites, employee town halls, industry engagement, and the creation and dissemination of corporate communication products, SSC reached out to its many stakeholders. Almost one thousand different communication products were prepared and disseminated during the fiscal year.

In 2012-13, the Department also established a Departmental Audit and Evaluation Committee (DAEC), as required by the *Financial Administration Act* and related government policies for internal audit and evaluation. The mandate of the DAEC was defined as providing objective advice and recommendations to the President regarding the sufficiency, quality, and results of assurance on the adequacy and functioning of the Department's risk management, control and governance frameworks and processes (including accountability and auditing systems), as well as on all evaluation and evaluation-related activities, including operational performance measurement. In 2013, the Committee recommended the approval of departmental policies for both audit and evaluation, and by fiscal year end, the first three-year risked-based audit and five-year evaluation plans had been approved.

Finally, as part of its focus on building management rigour and capacity, SSC conducted a self-assessment in order to understand the current state of internal controls and management oversight. After undertaking this self-assessment, action plans to further build management capacity and improve performance were developed.

## Risk Analysis

One of SSC's first priorities has been operational stability – maintaining and improving the delivery of IT services to the Government of Canada through an enterprise approach. As a new department, SSC is aware of the magnitude of the project, operational, and enterprise challenges it faces, and the associated risks. History has demonstrated that execution of IT projects, whether developing applications or consolidating infrastructure, is associated with considerable risk. SSC has made efforts

to understand best practices in managing risk from other jurisdictions that have undertaken such projects.

Given that SSC employs a highly-skilled workforce, dispersed across almost every Government of Canada workplace, the Department focused particular attention in the first full year on the transition of its people to the new organization, including the manner in which they have been deployed and their alignment with mandated initiatives.

A concrete example of risk management in the area of human resource management was the deployment of an internal staffing opportunities system, accessible to all employees and managers, in recognition of the need to facilitate employee mobility, in order to bring the right skills to the right initiatives at the right time.

In its first year, SSC developed risk management tools, established a risk management function, and set out to build on best practices to integrate risk management in the organization's work. In 2012-13, SSC took steps to integrate risk management into its planning and decision-making processes, including through the development of an Integrated Risk Management Framework that set the foundation for the Department's risk management activities. Risk management expectations were included in executives' performance management agreements, signalling the value that the organization attaches to ongoing risk management and mitigation across all areas.

In 2012-13, SSC also developed its first interim Organization Risk Profile, to begin systematically identifying, assessing and planning responses to risks. As transformation begins to take root during 2013-14, SSC's approach to organizational risk management will also mature through continued active monitoring and discussion at management tables, throughout governance committees and with partners.

SSC anticipates that implementing risk management within the Department will be a multi-year evolution, as transformation progresses. As SSC is responsible for providing the infrastructure through which its 43 partner departments provide services to the Government of Canada and to Canadians, and in the interest of better developing enterprise risk mitigation strategies for risks that have been identified as horizontal in nature, SSC continues to have discussions with partners, individually and collectively, through CIOs and risk practitioners. For example, in early 2013, horizontal risk discussions were held with CIOs in a number of departments to better understand the collective enterprise risks.

## Summary of Performance

The following tables provide a summary of SSC's overall performance and demonstrate linkages between resources and results. They depict the Department's total financial resources, total authorities and actual spending for the 2012-13 fiscal year, and provide a summary of the total planned and actual human resources.

### Financial Resources – Total Departmental ($ millions)

| | Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference (Planned vs. Actual Spending) |
|---|---|---|---|---|---|
| Gross expenditures | 1,842 | 1,842 | 1,922 | 1,750 | 92 |
| less: Respendable revenue | (368) | (368) | (369) | (369) | 1 |
| Net expenditures | 1,474 | 1,474 | 1,553 | 1,381 | 93 |

There was an overall increase between Planned Spending and Total authorities, primarily due to the following items that were not included in Planned Spending: Operating Budget Carry Forward from 2011-12, Budget 2012 savings, adjustments with the partner organizations as a result of the creation of the Department, and funding for various projects.

The variance between Planned Spending and Actual Spending is mainly due to Budget 2012 savings. In 2012-13, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds identified as savings measures in Budget 2012. Due to the frozen allotment, the amount of $74.7 million was not removed from the Department's Planned Spending and yet was unavailable for use.

### Human Resources (Full-Time Equivalents)*

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 6,700 | 5,895 | **805** |

*Figures in the table above include Canadian Forces military personnel and Royal Canadian Mounted Police (RCMP) civilian members who are engaged in the delivery of IT infrastructure services on our behalf. These figures reflect pre-Budget 2012 reductions.

The variance between planned full-time equivalents (FTE) and actual FTEs is 805 FTEs. The creation of SSC by amalgamation of 43 departments created FTE data and planning challenges. Planned figures were estimated based on information available at the time of the Orders in Council that created SSC, but before actual transfers from partner departments had been completed and could be assessed with certainty. Part of the variance, 250 FTEs, was due to commitments made by SSC in its Budget 2012 Internal Services program reduction targets. The remaining variance, 555 FTEs, was due to a

combination of the need to develop estimates during a transfer process that was in progress and slower than anticipated transfers associated with start-up.

**Strategic Outcome:** Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.

**Performance Summary Table – IT Infrastructure Services ($ millions)**

| | Total Budgetary Expenditures (Main Estimates 2012–13) | Planned Spending | | | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) ** | | |
|---|---|---|---|---|---|---|---|---|
| | | 2012–13 | 2013–14 | 2014–15 | | 2012–13 | 2011–12 | 2010–11 |
| **Program:** Efficient and effective IT infrastructure services are delivered across the Government of Canada. | | | | | | | | |
| **Alignment to Government of Canada Outcomes:** Well managed and efficient Government operations. | | | | | | | | |
| Gross expenditures | 1,627 | 1,627 | 1,529 | 1,128 | 1,760 | 1,637 | 951 | - |
| less: Respendable revenue | (368) | (368) | (317) | - | (369) | (369) | (390) | - |
| **Sub-Total** | 1,259 | 1,259 | 1,212 | 1,128 | 1,391 | 1,268 | 561 | - |

** SSC was created on August 4, 2011, and consequently has no actual spending for fiscal year 2010-11. The actual spending reflected in the table above for the fiscal year 2011-12 represents expenditures incurred by the 43 partner departments on behalf of SSC for the portion of the fiscal year effective as of its creation, and does not represent a complete fiscal year. Figures for 2014-15 and beyond include appropriations only, as the Department has no vote-netted revenue authority beyond 2013-14. The renewal of the vote-netted authority for future fiscal years will be reflected in the Main Estimates for 2014-15.

### Performance Summary Table – Internal Services ($ millions)

| Internal Services | Total Budgetary Expenditures (Main Estimates 2012–13) | Planned Spending | | | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) ** | | |
|---|---|---|---|---|---|---|---|---|
| | | 2012–13 | 2013–14 | 2014–15 | | 2012–13 | 2011–12 | 2010–11 |
| Gross expenditures | 215 | 215 | 188 | 185 | 162 | 113 | 61 | - |
| less: Respendable revenue | - | - | - | - | - | - | - | - |
| **Sub-Total** | 215 | 215 | 188 | 185 | 162 | 113 | 61 | - |

** SSC was created on August 4, 2011 and consequently has no actual spending for fiscal year 2010-11. The actual spending reflected in the table above for the fiscal year 2011-12 represents expenditures incurred by the 43 partner departments on behalf of SSC for the portion of the fiscal year effective as of its creation, and does not represent a complete fiscal year. Internal Services has no vote-netted revenue authority.

### Total Performance Summary Table ($ millions)

| Strategic Outcome and Internal Services | Total Budgetary Expenditures (Main Estimates 2012–13) | Planned Spending | | | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) ** | | |
|---|---|---|---|---|---|---|---|---|
| | | 2012–13 | 2013–14 | 2014–15 | | 2012–13 | 2011–12 | 2010–11 |
| Gross expenditures | 1,842 | 1,842 | 1,717 | 1,313 | 1,922 | 1,750 | 1,012 | - |
| less: Respendable revenue | (368) | (368) | (317) | - | (369) | (369) | (390) | - |
| **Total** | 1,474 | 1,474 | 1,400 | 1,313 | 1,553 | 1,381 | 622 | - |

** SSC was created on August 4, 2011, and consequently has no actual spending for fiscal year 2010-11. The actual spending reflected in the table above for the fiscal year 2011-12 represents expenditures incurred by the 43 partner departments on behalf of SSC for the portion of the fiscal year effective as of its creation, and does not represent a complete fiscal year. Figures for 2014-15 and beyond include appropriations only as the Department has no vote-netted revenue authority beyond 2013-14. The renewal of the vote-netted authority for future fiscal years will be reflected in the Main Estimates for 2014-15.

Ending its first full year of operations, SSC spent $1,381 million on maintaining operations across the government, including 2,100 mission critical systems, reporting a surplus of $171.3 million. Of this surplus, $56.4 million will remain in a frozen allotment, and represents SSC's commitment to Budget 2012 planned reductions in spending, while $83.7 million will be carried over to 2013-14 as the

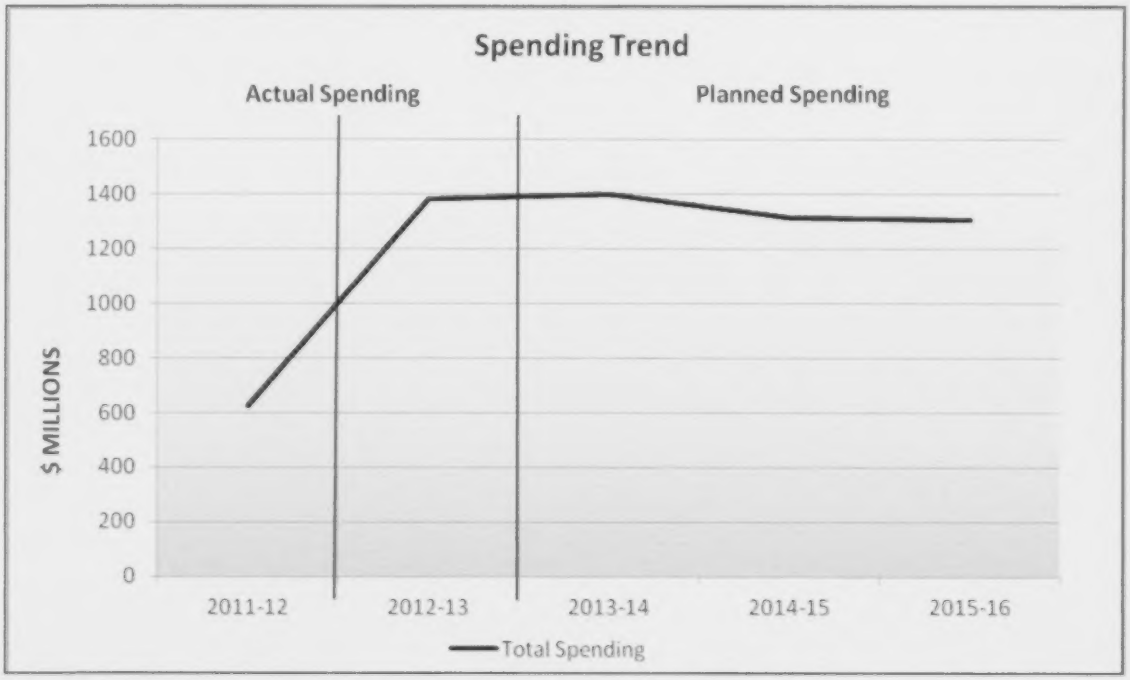
Department's allowable carry-forward. The remaining balance of $31.2 million represents the Department's lapse for the 2012-13 fiscal year.

A key factor contributing to the surplus was linked to the later than anticipated signature of partner and client agreements, and the delayed receipt of revenues as a result. Agreements were largely concluded in the final quarter with the greatest level of activity being registered in the last two months of the fiscal year. This situation contributed to uncertainties with respect to spending patterns, and had an impact on SSC's capacity to risk-manage partner and client requirements.

As this was SSC's first year of operations, a project-by-project review was completed among the 43 partners to ensure that expenditures were appropriate. At various points, decisions were made to defer some projects in order to align them with future transformation activities. Other key reasons for the lapse include delays in staffing, as is to be expected for any start-up organization.

## Expenditure Profile

### Departmental Spending Trend




Note: 2011-12 is a partial fiscal year.

As announced in Budget 2012, SSC was established as a demonstration of the Government's commitment to generating operational efficiencies and ensuring value for Canadians. SSC's mandate is to consolidate IT infrastructure, including email, data centres and networks, across 43 departments and

agencies. Through this initiative, SSC will produce savings, reduce the government's environmental footprint, modernize IT services and improve the security and safety of information.

The actual spending for 2011-12 does not represent a complete fiscal year, as SSC was created on August 4, 2011. Figures represent spending for the period from August 4, 2011, to March 31, 2012. The decrease in Planned Spending in 2014-15 is related to the additional savings of $45.5 million related to Budget 2012.

SSC will continue to generate savings for Canadians as it carries out its mandate. Further ongoing cost savings are expected beyond 2014 by moving to a single email solution, consolidating data centres and networks, and continuing to utilize SSC's collective purchasing power to reduce expenses in equipment and service contracts.

## Estimates by Vote

For information on SSC's organizational Votes and/or statutory expenditures, please see the Public Accounts of Canada 2013 (Volume II). An electronic version of the Public Accounts 2013 is available on the Public Works and Government Services Canada website.

# Section II: Analysis of Program by Strategic Outcome

## Strategic Outcome

Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians.

| **Strategic Outcome:** Mandated services are delivered in a consolidated and standardized manner to support the delivery of Government of Canada programs and services for Canadians. | | |
|---|---|---|
| **Performance Indicators** | **Targets** | **Actual Results** |
| N/A | N/A | N/A |

As a new department, SSC does not yet have a performance measurement framework. Performance indicators will be presented with the 2014-15 MRRS amendment process. This will deliver a performance measurement framework for the 2014-15 fiscal year.

Further information on SSC's MRRS amendment can be found in the Special Report on Transformational Activities in Section IV.

## Program

Efficient and effective IT infrastructure services are delivered across the Government of Canada.

**Financial Resources – Efficient and Effective IT Infrastructure Services ($ millions)**

| | Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference 2012–13 |
|---|---|---|---|---|---|
| Gross expenditures | 1,627 | 1,627 | 1,760 | 1,637 | (10) |
| less: Respendable revenue | (368) | (368) | (369) | (369) | 1 |
| Net expenditures | 1,259 | 1,259 | 1,391 | 1,268 | (9) |

**Human Resources – Efficient and Effective IT Infrastructure Services***

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 5,550 | 5,111 | 439 |

*Figures in the tables above include Canadian Forces military personnel and RCMP civilian members who are engaged in the delivery of IT infrastructure services on SSC's behalf. These figures reflect pre-Budget 2012 reductions.

## Performance Results – Efficient and Effective IT Infrastructure Services

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| Improved delivery of IT infrastructure services to the Government of Canada through an enterprise approach. | Meeting agreed business arrangements.<br><br>Availability of mission critical systems. | Business arrangements established for all partner organizations by March 31, 2013.<br><br>Mission critical systems identified by March 31, 2013.<br><br>Baseline reliability targets for mission critical systems established by March 31, 2013. | Met – Business arrangements have been established with all partners.<br><br>Met – Mission critical systems were indentified and base-lined during the fiscal year.<br><br>Met – Mission critical systems were indentified and base-lined during the fiscal year. |
| Reduce duplication of email systems, data centres and electronic networks and optimized service delivery. | Reliability, security and efficiency of email systems, data centres and electronic networks. | Competitive email procurement process launched by fall 2012.<br><br>A single email solution identified by March 31, 2013.<br><br>Initial inventory of data centres and associated technology completed by winter 2013.<br><br>Strategy for data centre consolidation program developed by March 31, 2013.<br><br>Initial inventory of networks and telecommunications completed by winter 2013. | Met – Procurement process was launched in the fall.<br><br>Met – A single email solution was identified through a Request for Proposal released in 2012-13. Successful bidder announced in June 2013.<br><br>Met – Initial inventory of data centres and associated technology completed.<br><br>Met – Date centre consolidation plan completed.<br><br>Met – Initial inventory of networks and telecommunications completed. |

### Internal Services

**Financial Resources – For Internal Services ($ millions)**

| | Total Budgetary Expenditures (Main Estimates) 2012–13 | Planned Spending 2012–13 | Total Authorities (available for use) 2012–13 | Actual Spending (authorities used) 2012–13 | Difference 2012–13 |
|---|---|---|---|---|---|
| Gross expenditures | 215 | 215 | 162 | 113 | 102 |
| Less: Respendable revenue | – | – | – | – | – |
| Net Expenditures | 215 | 215 | 162 | 113 | 102 |

**Human Resources (Full-Time Equivalents) – For Internal Services**

| Planned 2012–13 | Actual 2012–13 | Difference 2012–13 |
|---|---|---|
| 1,150 | 784 | 366 |

**Performance Results – For Internal Services**

| Expected Results | Performance Indicators | Targets | Actual Results |
|---|---|---|---|
| N/A | N/A | N/A | N/A |

As a new department, SSC does not yet have a performance measurement framework. Performance indicators will be presented with the 2014-15 MRRS amendment process. This will deliver a performance measurement framework for the 2014-15 fiscal year.

Further information on SSC's MRRS amendment can be found in the Special Report on Transformational Activities in Section IV.

## Performance Analysis and Lessons Learned

**Efficient and Effective IT Infrastructure Services**

SSC completed its first full year of operations as a new department and made progress transforming the government's IT infrastructure. The single program, Efficient and Effective IT Infrastructure Services, essentially met all its goals as set out in the Report on Plans and Priorities. Business arrangements with partner organizations were established with defined roles, responsibilities, and key operating parameters. A government-wide approach was maintained when assessing projects and upgrades to the infrastructure. As an example, SSC worked with National Defence on a power upgrade project that was viewed as a seamless initiative. SSC also worked with the Canadian Food Inspection Agency in relocating their data centre from Regina to Ottawa. Not only was the project delivered ahead of schedule, but the change resulted in no degradation in performance for users in Regina after the transfer. Careful planning and collaborative execution resulted in successful implementation and positive client experiences.

With respect to the transformation program, SSC started with email, looking to move the government from 63 different email systems to one single platform. To be open and inclusive, the Department hosted an industry engagement day in June 2012 which was attended by 166 industry representatives from 39 separate companies. The procurement process concluded in June 2013 with the announcement of Bell Canada as successful bidder, working in partnership with CGI Information Systems and Management Consultants Inc., using Microsoft Exchange as the platform.

Concerning data centre and network consolidation, SSC's efforts proceeded as planned. Fiscal year 2012-13 was used to establish and assess the inventory of government IT assets (servers, data centres, and networks). Strategies were then developed for consolidation taking into account location, service strategy, and cost drivers.

**Internal Services**

In this first year of operations, SSC had to quickly build administrative capacity from resources transferred from other departments. To respond to this challenge and develop capacity in line with a mature organization, SSC undertook a self-assessment of core areas of management as typically reviewed under the government's Management Accountability Framework. The assessment provided insight into the Department's capacity for internal controls and management oversight, leading to the development of specific action plans for implementation in 2013-14 to build greater management rigor.

SSC's savings target of $74.7 million, as proposed under Budget 2012, was achieved largely by consolidating telecommunications service contracts, leveraging the government's buying power and introducing a lean internal services model. For example, considerable savings were realized through rationalizing existing telecommunications service contracts, and the benefits realized through economies of scale, now possible by SSC's government-wide purchasing power. Further information on SSC's Budget 2012 savings can be found in the Special Report on Transformational Activities in Section IV.

## Federal Sustainable Development Strategy

SSC is not a participant in the Federal Sustainable Development Strategy, but does have targets contributing to the Greening of Government Operations.

For details, please see SSC's Greening Government Operations.

# Section III: Supplementary Information

## Financial Statements Highlights

The financial highlights presented within this Departmental Performance Report are intended to serve as a general overview of SSC's Statement of Operations and Departmental Net Financial Position and its Statement of Financial Position. More detailed information is provided in SSC's 2012-13 financial statements, which are prepared using an accrual basis of accounting. These unaudited statements were prepared in accordance with the government's stated accounting policies, which are based on Canadian public sector accounting standards.

It should be noted that Sections I and II of this report contain financial information based on parliamentary authorities, which reflect cash flow requirements. Items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. A reconciliation of net cost of operations to current year authorities used is presented in Note 3 to SSC's 2012-13 financial statements on its website.

Fiscal year 2012-13 is the first fiscal year for which SSC has produced a set of financial statements. The Department, which was created on August 4, 2011, relied on 43 partner departments to process financial transactions on its behalf for fiscal year 2011-12. The partner departments transferred aggregate totals to SSC for reporting in the 2011-12 Public Accounts, with details retained in their financial systems and records. 2012-13 is SSC's first complete year of operations as a stand-alone department with its own financial systems and records.

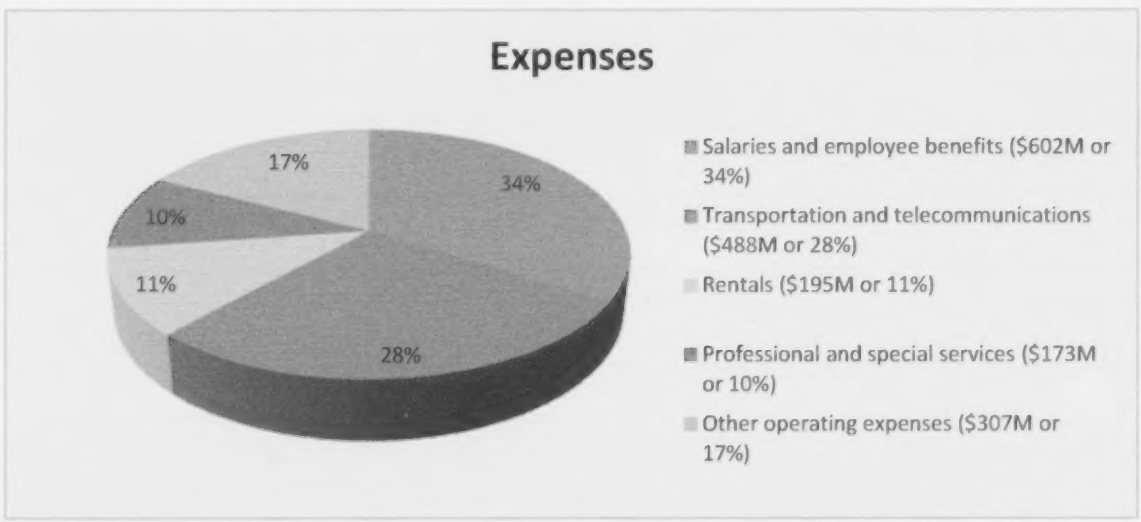
Comparative figures are only shown for the Condensed Statement of Financial Position. SSC will be in a position to present full comparatives in future fiscal years.

Also, as future-oriented financial estimates were not available for 2012-13, there are no planned results in the following table.

**Condensed Statement of Operations and Departmental Net Financial Position (Unaudited)**
**For the Year Ended March 31, 2013 ($ millions)**

| | 2012–13 Planned Results | 2012–13 Actual | 2011–12 Actual | $ Change (2012–13 Planned vs. Actual) | $ Change (2012–13 Actual vs. 2011–12 Actual) |
|---|---|---|---|---|---|
| Total expenses | N/A | 1 765 | N/A | N/A | N/A |
| Total revenues | N/A | 373 | N/A | N/A | N/A |
| Net cost of operations before government funding and transfers | N/A | 1 392 | N/A | N/A | N/A |
| Departmental net financial position | N/A | 271 | N/A | N/A | N/A |

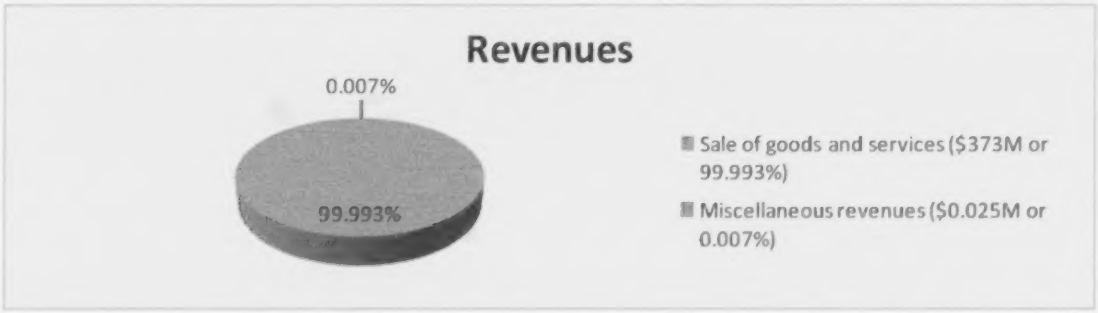
Details of SSC's expenses and revenues are presented in the following charts.




SSC's total expenses for 2012-13 are $1 765 million. Of these expenses, 93% relate to the following program: Efficient and effective IT infrastructure services. The remaining 7% is attributed to Internal Services. The major expenses are composed of the following:

- Salaries and employee benefits of $602 million (34%);
- Transportation and telecommunications of $488 million (28%);

- Rentals of $195 million (11%); and
- Professional and special services of $173 million (10%).



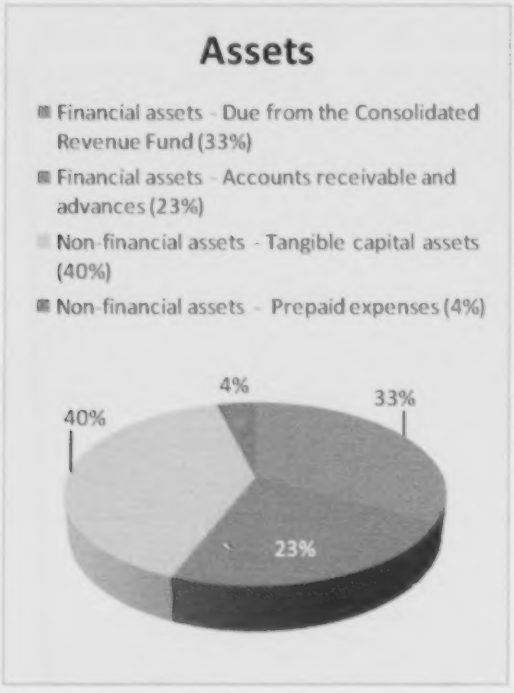

SSC's total revenues for 2012-13 are $373 million. Of these revenues, the majority are respendable revenues related to IT infrastructure services provided to partnering organizations and other Government of Canada departments and agencies on a cost recoverable basis. SSC's revenues, net of $8 million in revenues earned on behalf of government, consist of sales of goods and services ($373 million) and miscellaneous revenues ($25,000).

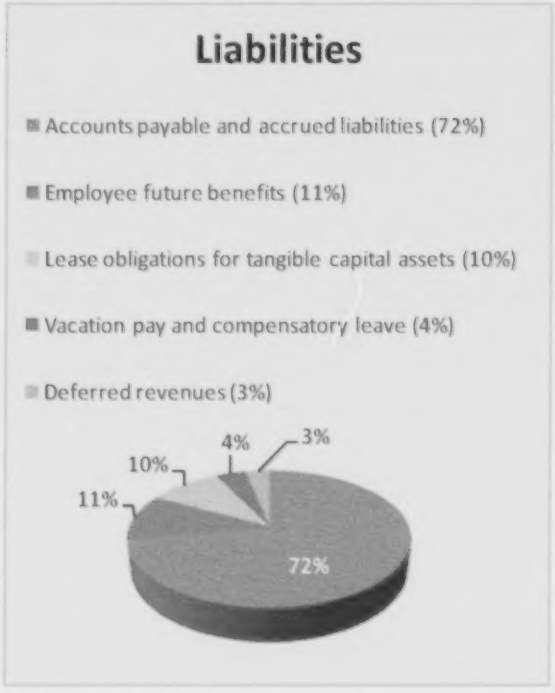
**Condensed Statement of Financial Position (Unaudited)**
**As at March 31, 2013 ($ millions)**

| | 2012–13 | 2011–12* | $ Change* |
|---|---|---|---|
| Total net liabilities | 533 | 314 | 219 |
| Total net financial assets | 445 | 173 | 272 |
| Departmental net debt | 88 | 141 | (53) |
| Total non-financial assets | 359 | 367 | (8) |
| Departmental net financial position | 271 | 226 | 45 |

* SSC aggregated the summary figures that it collected from its 43 partner departments in order to build the numbers shown for 2011-12 in the Condensed Statement of Financial Position. SSC does not have the details for 2011-12 in its own financial system. Given this, 2011-12 and 2012-13 figures are not directly comparable.

The following charts present details of SSC's assets and liabilities by type.


Assets
Financial assets - Due from the Consolidated Revenue Fund (33%)
Financial assets - Accounts receivable and advances (23%)
Non-financial assets - Tangible capital assets (40%)
Non-financial assets - Prepaid expenses (4%)
4%
33%
40%
23%




The major items presented in the Statement of Financial Position are as follows:

1. Net financial assets of $445 million constitute 55% of total assets (32% in 2011-12). Of the financial assets, 60% are due from the Consolidated Revenue Fund (CRF). Financial assets are also comprised of 40% of accounts receivable and advances.
2. Non-financial assets of $359 million constitute 45% of total assets (68% in 2011-12). Of the non-financial assets, 90% are tangible capital assets.
3. The liabilities of $533 million are mainly comprised of 72% of accounts payable and accrued liabilities (53% in 2011-12).
4. The Department's net debt represents the excess of SSC's liabilities over its financial assets required to discharge the existing departmental liabilities. Departmental net debt decreased by 37%, starting with net debt of $141 million as of March 31, 2012, to net debt of $88 million as of March 31, 2013. This is primarily due to the large increase in financial assets related to the large increase in the amount due from the CRF, itself caused by the large increase in accounts payable and accrued liabilities.
5. The increase of 158% in the net financial assets directly impacted on the Department's net financial position, which has increased by 20% compared to the previous year (2012-13: $271 million; 2011-12: $226 million).

## Financial Statements

The Department's financial statements can be found on SSC's website.

## Supplementary Information Tables

- Greening Government Operations
- Internal Audits and Evaluations
- Sources of Respendable and Non-Respendable Revenue
- Status Report on Major Crown and Transformational Projects

All electronic supplementary information tables listed in the 2012-13 Departmental Performance Report can be found on SSC's website.

## Tax Expenditures and Evaluations Report

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations* publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.

# Section IV: Other Items of Interest

Organizational Contact Information

General inquiries:
Please direct your inquiries to: Media@ssc-spc.gc.ca
Medias@spc-ssc.gc.ca

Media Relations Office: 819-956-2315

## Special Report on Transformational Activities

The following table identifies Net Actual Spending (authorities used) in 2012-13, broken down by transformational activity (email, data centre, and network) for the IT Infrastructure Services program. The table is shown with two views: 1) with IT Security not allocated across transformational activities and 2) with IT Security allocated across transformational activities.

**Net Actual Spending ($ millions)**

| Allocation Rule | Email | Data Centre | Network | IT Security | Total |
|---|---|---|---|---|---|
| IT Security Not Allocated | 55 | 544 | 610 | 59 | 1,268 |
| IT Security Allocated | 58 | 570 | 640 | 0 | 1,268 |

**Email:**
In 2012-13, SSC launched the renewal of the Government of Canada's IT infrastructure. The Email Transformation Initiative team completed an inventory of email systems currently in use, and confirmed the future requirements of the partner organizations. SSC held several industry days and partner engagement workshops, and consulted extensively with industry participants. The formal procurement process was established using innovative, collaborative approaches, and by fiscal year-end, the project was ready to progress towards selection of a vendor. This integrated solution is to replace the 63 individual email systems currently used in SSC's partner organizations, and is to support a consistent approach to all aspects of email, including state-of-the-art anti-virus and anti-spam protections.

Expenditures attributed to email services in 2012-13 totalled $104 million, of which $49 million was from respendable revenue, for actual spending (authorities used) of $55 million.

**Data Centres:**
In 2012-13, the current-state inventory of data centres was completed, providing a baseline against which consolidation and transformation can be measured. For example, of the 485 data centres surveyed, 5 were located in facilities 40 years of age or older, and 32% of the 23,424 physical servers inventoried were over 5 years old. Average server usage was assessed at just 14% of capacity.

To complete the current-state inventory and begin gathering requirements for the transformed data centre environment, the data centre consolidation team hosted several workshops, held bilateral

meetings and toured 22 data centres, engaging managers and CIOs across the federal government, ICT sector leaders, and allied government representatives. This exercise gave SSC representatives an appreciation of valuable public and private sector best practices, which have influenced the consolidation plans, including the criteria for data centre location, as well as the identification of end-state costs and specific cost drivers.

Prior to the establishment of SSC, individual departments were responsible for the acquisition, installation and management of their own data centres, IT equipment and service models, without government-wide standards. In 2012-13, SSC led a collaborative development of enterprise-wide service standards for the Government of Canada in areas such as platform standards for operating systems, data management service levels and service management functions (e.g. change management, performance management and capacity management). With these standards, the data centre consolidation team is positioned to implement consolidation and transformation, in collaboration with various stakeholders, over the coming years.

Expenditures attributed to data centre consolidation activities in 2012-13 totalled $660 million, of which $116 million was from respendable revenue, for actual spending (authorities used) of $544 million.

**Networks:**
In conjunction with SSC's data centre transformation, an analysis of the existing network infrastructure and telecommunication services across the federal government was completed in consultation with partner departments and agencies. The analysis was the most comprehensive overview of telecommunications services and equipment inventory ever produced for the federal government. The strategy and plan for transformation over the next several years was approved by SSC senior management.

Work on a government-wide videoconferencing standard started, and the transformation team was able to leverage existing infrastructure, while developing a standardized and integrated solution. This approach increases connectivity and shareability between existing videoconferencing devices, and streamlines the switching infrastructure.

Expenditures attributed to telecommunications activities in 2012-13 totalled $772 million, of which $162 million was from respendable revenue for actual spending (authorities used) of $610 million.

**IT Security:**
IT security required actual spending (authorities used) of $59 million. IT security is prevalent across all IT infrastructure transformational activities, and its costs can therefore be allocated across the IT Infrastructure Services program. Based on established allocation rules, the distribution of IT Security cost is as follows:

Email: 5%;
Data Centres: 42%; and
Networks: 53%.

Using this allocation, actual spending (authorities used) increased as follows:

Email: up $3 million to $58 million;
Data Centres: up $26 million to $570 million; and
Networks: up $30 million to $640 million.

**MRRS Amendment Process and the Program Alignment Architecture/ Performance Measurement Framework:**

The Treasury Board Policy on Management, Resources and Results Structure supports the development of a common, government-wide approach to the identification of programs and to the collection, management and reporting of financial and non-financial information. In accordance with this policy, SSC has in place the initial processes and systems to support good management, effective decision-making and accountability for results.

SSC is currently participating in the MRRS amendment cycle to modify its PAA and establish a performance measurement framework which will evolve as transformation planning continues. The Department is committed to evolving its PAA into one that will provide stability, flexibility, clarity and utility for SSC, and ensure that appropriate data collection and analysis is in place to support efficient and effective performance measurement.

**Investment Plan Update:**

For fiscal year 2012-13, SSC committed to developing the Department's first investment plan. Through internal collaboration and early engagement with TBS, SSC was able to establish principles and an approach to guide the development of this plan, and produce a working draft which captures a list of current and planned investments. This work continues in 2013-14, and SSC plans to submit its first investment plan to TBS before the end of 2013.

**Budget 2012 Initiatives:**

For fiscal year 2012-13, SSC committed to Budget 2012 reductions in the amount of $74.7 million. Savings were achieved through contract consolidation and/or reduced overall expenditures, as well as by establishing a lean internal services model.

Wide Area Network (WAN) Contract Savings ($13.2 million)

Savings were derived from the implementation of new contracts resulting in lower rates for WAN services. Savings target of $13.2 million was achieved.

Cellular Services Contract ($20.0 million)

Savings were derived from lower delivery rates for Government Cellular Services. Savings target of $20 million was achieved.

Toll Free, Long Distance and Teleconference Services ($9.0 million)

Savings were derived from lower delivery rates for various services, such as teleconference services. Savings target of $9.0 million was achieved.

Network Equipment (Procurement Reduction Savings) ($7.5 million)

Spending on Network Equipment has been capped at a $42.5 million per year for the next three fiscal years. This figure represents a 15% decrease over the 2009-10 calculated baseline figure. Savings will be achieved by centralizing the procurement within SSC, evaluating purchase requests with transformation plans, and monitoring network equipment spending by the 43 departments. Target savings for 2012-13 of $7.5 million was achieved.

Internal Services ($25.0 million)

In 2012-13, SSC was designed to be supported by an efficient internal services program. Vacant positions transferred to SSC from the partnering departments were eliminated and never staffed resulting in savings of $25 million. These savings will carry through in fiscal years 2013-14 and 2014-15.

## Endnotes

- Public Accounts of Canada 2012, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html
- Treasury Board of Canada Secretariat, http://www.tbs-sct.gc.ca/tbs-sct/index-eng.asp
- Tax Expenditures and Evaluations publication, http://www.fin.gc.ca/purl/taxexp-eng.asp
- Greening of Government Operations, http://www.ssc.gc.ca/pages/ecologisation-greening/index-eng.html
- Internal Audits and Evaluations, http://www.ssc.gc.ca/pages/lae-vie-eng.html
- Sources of Respendable and Non-Respendable Revenue, http://www.ssc.gc.ca/pages/srnrr-srdrnd-eng.html
- Status Report on Transformational and Crown Projects, http://www.ssc.gc.ca/pages/srtcp-reptgpe-eng.html
- SSC 2012-13 Financial Statements, http://www.ssc.gc.ca/pages/fs-ef-2013-eng.html